

FISCAL NOTE

Bill #: HB0267 **Title:** Income tax credit for teachers who buy supplies
Primary Sponsor: Galvin-Halcro, K **Status:** As Introduced

Sponsor signature	Date	Chuck Swysgood, Budget Director	Date
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Fiscal Summary

	<u>FY 2004 Difference</u>	<u>FY 2005 Difference</u>
Revenue:		
General Fund		\$(220,000)
Net Impact on General Fund Balance:	\$0	\$(220,000)

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- | | |
|---|--|
| <input type="checkbox"/> Significant Local Gov. Impact | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts |
| <input type="checkbox"/> Dedicated Revenue Form Attached | <input type="checkbox"/> Needs to be included in HB 2 |
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Fiscal Analysis

ASSUMPTIONS:

1. This bill would allow a teacher employed full-time by a school district receiving operating funds under Title 20, chapter 9, part 3 to claim a tax credit equal to 8% of the amount spent on qualifying school supplies purchased by the taxpayer during the tax year.
2. The tax credit is a *refundable* tax credit; that is, if the credit exceeds the taxpayer's liability the excess will be refunded to the taxpayer.
3. Currently, there are approximately 10,500 teachers that could potentially qualify for this credit (OPI).
4. The fiscal impact of this proposal will depend on 1) the number of teachers that actually have qualifying expenditures and use the credit, 2) the average expenditure of these teachers, and 3) the percent of the expenditure allowed as a credit. The following table shows the potential impact of this credit on individual income taxes (state general fund) under alternative assumptions. As the table shows, the annual fiscal impact could range from \$(20,000) to \$(420,000) depending on the number of teachers using the credit, and the average annual expenditure of these teachers. Because the Department of Revenue does not have information indicating the precise number of teachers that would use the credit, or the average amount of expenditures per teacher, the Department cannot provide a precise estimate of the impact of this proposal. For the purposes of this fiscal note, the general fund impact is assumed to be the midpoint of the range shown in the following table, or \$220,000 per year.

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(continued)

HB267 - Potential Fiscal Impact (8% Credit)				
Total K-12 Teachers:		10,500		
Average Expenditures	Number of Teachers With Expenditures			
	2,500	5,000	7,500	10,500
100	(\$20,000)	(\$40,000)	(\$60,000)	(\$84,000)
200	(\$40,000)	(\$80,000)	(\$120,000)	(\$168,000)
300	(\$60,000)	(\$120,000)	(\$180,000)	(\$252,000)
500	(\$100,000)	(\$200,000)	(\$300,000)	(\$420,000)

5. The bill applies to tax years beginning after December 31, 2003 (TY2004). There would be no impact on revenues in fiscal year 2004, and a full-year impact in fiscal year 2005.
6. The Department of Revenue would incur minimal administrative expenses for this bill.

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

No impact.

LONG-RANGE IMPACTS:

General fund revenues would be reduced in fiscal year 2005 and all subsequent fiscal years by the amount of the credit claimed.

TECHNICAL NOTES:

1. Section 4 provides that the act applies to tax years beginning after December 30, 2003; this should read December 31, 2003.